Top 50 Finance Companies In Net Income for 1984

1984 Rank		Net Income 1984	Net Income 1983	% Gain
1	General Motors Acceptance Corp., Detroit	784,800,000	1,002,000,000	-21.68
2	General Electric Credit Corp., Stamford, Conn.	320,349,000	271,002,000	18.21
3	Ford Motor Credit Co., Dearborn, Mich.	310,400,000	291,800,000	6.37
4	Household Finance Corp., Prospect Heights, Ill. (u)	153,300,000	146,909,000	4.35
5	American Express Credit Corp., Wilmington, Del.	140,000,000	87,000,000	60.92
6	Associates Corp. of North America, Dallas	139,212,000	113,146,000	23.04
7	C.I.T. Financial Corp., New York (g,h)	137,074,000	143,985,000	-4.80
8	Sears Roebuck Acceptance Corp., Wilmington, Del.	129,190,103	169,302,570	-23.69
9	ITT Financial Corp., St. Louis, Mo.	124,407,000	96,520,000	28.89
10	Beneficial Corp., Wilmington, Del.	106,300,000	105,600,000	0.66
11	Avco Financial Services, Inc., Newport Beach, Calif.	102,507,000	91,428,000	12.12
12	Chrysler Financial Corp., Troy, Mich.	83,104,741	47,411,996	75.28
13	Montgomery Ward Credit Corp., Wilmington, Del.	80,000,000	68,127,000	17.43
14	Westinghouse Credit Corp., Pittsburgh	67,075,000	62,014,000	8.16
15	IBM Credit Corp., Old Greenwich, Conn. (l)	63,691,000	.....	....
16	Xerox Credit Corp., Greenwich, Conn.	57,700,000	.....	....
17	J.C. Penney Financial Corp., New York	53,666,000	47,674,409	12.57
18	Transamerica Financial Corp., Los Angeles	52,252,000	56,345,000	-7.26
19	John Deere Credit Co., Reno, Nev.	52,238,000	58,578,000	-10.82
20	Leucadia National Corp., New York	52,000,000	14,975,000	247.25
21	Commercial Credit Co., Baltimore	49,603,000	29,600,000	67.58
22	Security Pacific Finance Corp., San Diego, Calif. (g)	47,000,000	32,000,000	46.88
23	Credithrift Financial Corp., Evansville, Ind.	46,171,000	34,811,000	32.63
24	Norwest Financial Services, Inc., Des Moines, Iowa (g)	45,725,703	39,758,850	15.01
25	International Harvester Credit Corp., Chicago	44,921,000	N.A.	....
26	Borg-Warner Acceptance Corp., Chicago	43,800,000	38,800,000	12.89
27	McDonnell Douglas Finance Corp., Long Beach, Calif. (l)	40,505,000	20,327,000	99.27
28	Merrill Lynch Leasing Inc., New York (l)	36,467,748	19,185,264	90.08
29	J.I. Case Credit Corp., Racine, Wis.	33,353,000	34,440,000	-3.16
30	Aristar, Inc., Miami (j)	32,761,000	1,721,520	....
31	Barclays American Corp., Charlotte, N.C. (m)	30,113,000	29,680,000	1.46
32	Mobil Oil Credit Corp., Kansas City, Mo.	29,524,000	23,963,000	23.21
33	Gulf Oil Financial Corp., Houston	26,800,000	27,000,000	-0.74
34	Manuf Hanover Fin'l Serv, Inc, Huntingdon Valley, Pa. (g)	26,691,000	22,812,000	17.00
35	Mack Financial Corp., Allentown, Pa.	26,376,000	13,201,000	99.80
36	Fleet Financial Corp., Providence, R.I. (g)	24,170,000	13,479,000	79.32
37	Allis-Chalmers Credit Corp., West Allis, Wis.	23,200,000	29,842,000	-22.26
38	Fruehauf Finance Co., Detroit	20,118,792	16,730,774	20.25
39	Clark Equipment Credit Corp., Buchanan, Mich.	19,316,000	21,674,000	-10.88
40	Amoco Credit Corp., Chicago	16,984,000	8,227,000	106.44
41	ITT Credit Corp., East Meadow, N.Y.	16,975,450	15,372,000	10.43
42	Commercial Alliance Corp., New York	15,994,000	14,055,000	13.80
43	Sperry Financial Corp., New York	14,874,718	N.A.	....
44	E.F. Hutton Credit Corp., Greenwich, Conn.	13,585,000	11,648,000	16.63
45	Greyhound Leasing & Financial Corp., Phoenix, Ariz.	13,343,000	6,050,000	120.55
46	May Department Stores Credit Co., Reno, Nev.	12,923,000	13,913,000	-7.12
47	Sunoco Credit Corp., Wilmington, Del.	12,764,789	11,414,218	11.83
48	Whirlpool Acceptance Corp., Benton Harbor, Mich.	11,568,000	8,014,000	44.35
49	TranSouth Financial Corp., Florence, S.C. (g)	11,443,000	10,019,000	14.21
50	Sunamerica Corp., Cleveland (g)	11,077,000	6,261,000	76.92

Net income is income after taxes but before extraordinary items. This listing includes leasing companies.
(g) — A subsidiary of a domestic commercial or saving bank organization. **(h)** — Acquired by Manufacturers Hanover Corp., New York on April 309, 1984. **(j)** — The 1983 data were for Blazer Financial Services, Inc., Miami, the consumer finance unit of Aristar. **(l)** — A leasing company. **(m)** — Owned by a foreign banking organization. **(u)** — Data are for Household Finance, the financial services business of Household International, Inc.

Finance Company Receivables

As of Dec. 31, 1984 or Nearest Fiscal Year-End

(Dollar Figures in Thousands)

	CONSUMER — RETAIL AND REAL ESTATE	
1	General Motors Acceptance Corp., Detroit	44,254,000
2	Ford Motor Credit Co., Dearborn, Mich.	16,398,600
3	Sears Roebuck Acceptance Corp., Wilmington, Del.	9,774,736
4	American Express Credit Corp., Wilmington, Del.	5,727,000
5	General Electric Credit Corp., Stamford, Conn.	5,073,707
6	Beneficial Corp., Wilmington, Del.	4,993,000
7	Household Finance Corp., Prospect Heights, Ill. (u)	4,553,500
8	Chrysler Financial Corp., Troy, Mich.	3,909,135
9	Montgomery Ward Credit Corp., Wilmington, Del.	3,701,000
10	Associates Corporation of North America, Dallas	3,019,346
	COMMERCIAL — INDUSTRIAL	
1	General Motors Acceptance Corp., Detroit	11,273,600
2	Ford Motor Credit Co., Dearborn, Mich.	6,484,800
3	C.I.T. Financial Corp., New York (g,h)	3,272,918
4	Heller Financial, Inc., Chicago (m,n)	2,943,894
5	Westinghouse Credit Corp., Pittsburgh	2,923,410
6	Commercial Credit Co., Baltimore	2,916,523
7	Chrysler Financial Corp., Troy, Mich.	2,840,531
8	Associates Corp. of No. America, Dallas	2,745,546
9	Borg-Warner Acceptance Corp., Chicago	2,522,700
10	ITT Financial Corp., St. Louis, Mo.	2,455,700
	INDUSTRIAL AND EQUIPMENT LEASING — NONBANK (p)	
1	General Electric Credit Corp., Stamford, Conn.	8,790,131
2	IBM Credit Corp., Old Greenwich, Conn.	2,974,643
3	General Motors Acceptance Corp., Detroit	1,554,500
4	Commercial Credit Co., Baltimore	1,397,546
5	Borg-Warner Acceptance Corp., Chicago	815,200
6	McDonnell Douglas Finance Corp., Long Beach, Calif.	775,545
7	Equitable Life Leasing Corp., San Diego, Calif.	665,393
8	E.F. Hutton Credit Corp., Greenwich, Conn.	581,849
9	Bankers Leasing & Financial Corp., San Mateo, Calif.	555,222
10	Greyhound Leasing & Financial Corp., Phoenix, Ariz.	509,848
	INDUSTRIAL AND EQUIPMENT LEASING — BANK-RELATED (q)	
1	Manufacturers Hanover Corp., New York	3,883,362
2	Citicorp, New York	2,159,000
3	Security Pacific Corp., Los Angeles	2,127,915
4	BankAmerica Corp., San Francisco	1,876,000
5	Chase Manhattan Corp., New York	1,084,389
6	Chemical New York Corp.	1,081,716
7	First Interstate Bancorp., Los Angeles	912,515
8	Wells Fargo & Co., San Francisco	855,649
9	Bankers Trust New York Corp.	599,370
10	Bank of New England Corp., Boston	498,580
	FACTORING VOLUME (r)	
1	C.I.T. Financial Corp., New York (g,h,i)	7,968,962
2	Heller Financial, Inc., Chicago (m,n)	3,914,000
3	BancBoston Financial Co., Boston (g,s)	2,634,000
4	Barclays American Corp., Charlotte, N.C. (m)	2,380,896
5	Irving Commercial Corp., New York (g)	1,843,000
6	Commercial Credit Co., Baltimore	1,794,930
6	Republic Factors, New York (g,s)	1,625,000
7	Chemical Business Credit Corp. (g,s)	1,600,000
8	Citizens & Southern Commercial Corp., Atlanta (g,s)	1,507,000
9	BT Factors, New York (g,s,t)	1,400,000
10	James Talcott Inc., New York (o,s)	1,387,000

A breakdown of net receivables into three operational types: consumer-retail and real estate; commercial-industrial; and industrial and equipment leasing. Industrial and equipment leasing are broken down into two groups — nonbank and bank-related. Factoring receivables or "volume" are reported gross. For some companies it is not possible to net out unearned discount and loan loss reserves by type. For these companies, therefore, the sum of the net receivables shown above may exceed total net receivables reported in the "Top 100 Finance Companies" listing. Complete definitions of these four operational categories appear in a story accompanying the tables.

(g) —A subsidiary of a domestic banking organization. **(h)** — Acquired by Manufacturers Hanover Corp., New York, from RCA Corp., New York, on April 30, 1984. **(i)** — Includes the $2.5 billion factoring volume of Manufacturers Hanover Commercial Corp., New York, which was incorporated into C.I.T. Financial Corp. on 1/7/85. **(m)** — Owned by a foreign commercial banking organization. **(n)** — Formerly Walter E. Heller & Co. It changed its name on May 3, 1985. It was acquired by Fuji Bank, Ltd., Tokyo, Japan on Jan. 24, 1984. **(o)** — Owned by a foreign financial institution. **(p)** — Based on response to American Banker questionnaire. This listing is incomplete, because of poor response from companies engaged primarily in leasing. **(q)** — Source of net lease financing receivables data for bank-related lessors was Manufacturers Hanover Leasing Corpation, New York, a subsidiary of Manufacturers Hanover Corp. The data are "as reported in quarterly statements or as reported by the respective banks directly to Manufacturers Hanover Leasing Corpation." The data are for the equipment leasing subsidiary and other subsidiaries of the corporation offering similar financial products. These data are used because American Banker was not able to obtain data from most of these corporations' leasing subsidiaries only. **(r)** — Factoring data were taken from responses to American Banker questionnaire, whenever possible. However, to make the list complete, factoring data from the Daily News Record, New York, were also used. A special footnote "s" appears after the name of the company for which Daily News Record data were used. The Daily News Record is a textile trade newspaper. **(s)** — Factoring data were taken from the Daily News Record listing of top factors published on Feb. 11, 1985. **(t)** — A division of Bankers Trust Co., New York. **(u)** — Data are for Household Finance, the financial services business of Household International, Inc.

Providers of Consumer Installment Credit[1]

(Billions of Dollars)

	December 1984 $ Amount Outstand.	% Chg. in Outstand. From 1983	% Share Of Market	December 1983 $ Amount Outstand.	% Chg. in Outstand. From 1982	% Share Of Market
Finance Companies	112.5	+ 9.4	23.6	102.9	+ 4.2	26.0
Commercial Banks	212.4	+23.5	44.5	172.0	+12.8	43.4
Savings Institutions	40.2	+45.1	8.4	27.7	+34.5	7.0
Credit Unions	67.9	+26.9	14.2	53.5	+13.2	13.5
Retailers[2]	39.9	+11.1	8.4	35.9	+ 9.7	9.1
Gasoline Companies	4.1	- 0.5	0.9	4.1	+ 1.7	1.0
Totals	**427.0**	**+20.4**	**100.0**	**396.1**	**+11.3**	**100.0**

[1]— Includes most short- and intermediate-term credit extended to indivuduals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid—or with the option of repayment— in two or more installments. [2]— Includes auto dealers. **Source: Federal Reserve Bulletin**

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Providers of Auto Installment Credit[1]

(Billions of Dollars)

	December 1984 $ Amount Outstand.	% Chg. in Outstand. From 1983	% Share Of Market	December 1983 $ Amount Outstand.	% Chg. in Outstand. From 1982	% Share Of Market
Finance Companies	52.0	+ 5.4	30.6	49.3	+ 0.8	34.6
Commercial Banks	85.5	+26.6	50.3	67.6	+13.4	47.4
Credit Unions	32.5	+26.9	19.1	25.6	+13.2	18.0
Totals	**170.0**	**+19.3**	**100.0**	**142.5**	**+ 8.7**	**100.0**

[1]— Automobile financing is a component of consumer installment credit.
Source: Federal Reserve Bulletin

Summary Statistics: Top 100 Finance Companies

($ Amounts in Billions)

	No. Firms 1984	No. Firms 1983	Total Capital Funds 1984	Total Capital Funds 1983	% Chg.	Capital and Surplus 1984	Capital and Surplus 1983	% Chg.	Subordinated Debt 1984	Subordinated Debt 1983	% Chg.
Top 100 firms	100	100	36.6	36.4	+ 6.0	29.1	27.5	+ 5.8	9.5	8.9	+6.7
Captive firms[1]	34	32	20.2	18.0	+12.2	15.8	13.8	+16.2	4.4	4.4	0.0
Independent/affiliated firms[2]	66	66	16.4	16.4	0.0	13.3	13.9	- 4.3	5.1	4.5	+13.3
Domestic bank-related firms[3]	25	26	4.2	4.0	+ 5.0	2.9	3.3	-12.1	1.3	0.7	+85.7

[1] Captive firms are those whose main activity consists of financing sales of their parent firm's product or services.
[2] Affiliated firms are subsidiaries of other companies, but are not captive.
[3] Domestic bank-related finance companies are a component of independent and affiliated companies.

Bank-Related Finance Companies

With Capital Funds Greater Than $5 Million

(Dollar Figures in Thousands)

Rank 12/31/84		Total Capital Funds 12/31/84	Total Capital Funds 12/31/83	Rank 12/31/83	Gain in Rank	Parent
	DOMESTIC COMMERCIAL AND SAVINGS BANK-RELATED COMPANIES					
5	C.I.T. Financial Corp., New York (h)	1,485,220	1,453,455	5		Manufacturers Hanover Corp., New York
24	Norwest Financial Services, Inc., Des Moines, Iowa	450,141	310,313	30	+ 6	Norwest Corp., Minneapolis
25	FinanceAmerica Corp., Allentown, Pa.	399,338	337,434	28	+ 3	BankAmerica Corp., San Francisco
26	Security Pacific Finance Corp., San Diego, Calif.	387,800	489,000	22		Security Pacific Corp., Los Angeles
27	Manufacturers Hanover Financial Services, Inc, Huntingdon Valley, Pa.	359,808	362,334	26		Manufacturers Hanover Corp., New York
39	Fleet Financial Corp., Providence, R.I.	168,025	128,715	44	+ 5	Fleet Financial Group, Providence, R.I.
41	Commercial Alliance Corp., New York (c)	148,768	143,586	40		First Interstate Bancorp, Los Angeles
52	Northwest Acceptance Corp., Portland, Ore. (c)	85,669	90,069	49		Orbanco Financial Services Corp., Portland, Ore.
54	Congress Financial Corp., New York	83,177	68,904	53		CoreStates Financial Corp., Philadelphia
56	PSFS Credit Corp., Norwalk, Conn. (g)	80,296	.....	...		PSFS, Philadelphia
61	Standard Financial Corp., New York	57,597	51,783	64	+ 3	Sterling Bancorp., New York
63	Mellon Financial Services Corp., Oak Brook, Ill.	55,514	52,838	62		Mellon Bank Corp., Pittsburgh
64	First Family Financial Services, Atlanta	55,130	36,944	75	+11	Georgia Federal Bank FSB, Atlanta
66	Fidelity Acceptance Corp., Minneapolis (b)	51,595	42,807	72	+ 6	Society for Savings, Hartford, Conn.
69	TranSouth Financial Corp., Florence, S.C.	48,675	73,453	52		NCNB Corp., Charlotte, N.C.
70	U.S. Bancorp Financial, Inc., Portland, Ore.	47,843	44,554	68		U.S. Bancorp, Portland, Ore.
74	Maryland National Affiliates Corp., Baltimore	44,733	45,080	66		Maryland National Corp., Baltimore
78	U.S. Bancorp Consumer Services, Inc., Portland, Ore.	36,725	34,915	76		U.S. Bancorp, Portland, Ore.
81	Sunamerica Corp., Cleveland	35,158	25,411	83	+ 2	Chemical New York Corp.
83	Signal Financial Corp., Pittsburgh	33,727	24,916	85	+ 2	CoreStates Financial Corp., Philadelphia
85	Provident Financial Corp., Columbia, S.C.	28,808	26,717	82		South Carolina National Corp., Columbia
90	First Wisconsin Financial Corp., Milwaukee	22,485	21,149	90		First Wisconsin Corp., Milwaukee
92	Capitol Finance Group, Inc., Charlotte, N.C.	21,511	19,042	94	+ 2	First Railroad & Banking Co., Augusta
97	First Union Commercial Corp., Charlotte, N.C.	20,271	7,635	112	+15	First Union Corp., Charlotte, N.C.
98	Landmark Financial Services, Inc., Silver Spring, Md.	19,903	16,341	100	+ 2	Union Trust Bancorp., Baltimore
101	NCNB Financial Services, Inc., Charlotte, N.C.	17,451	16,150	101		NCNB Corp., Charlotte, N.C.
102	Hawaii Thrift & Loan, Inc., Honolulu	16,707	15,791	102		First Hawaiian, Inc., Honolulu
104	Family Credit Services, Inc., Tucker Ga.	16,372	11,931	104		Citizens & Southern Georgia Corp., Atlanta
105	CBT Financial Corp., Hartford, Conn.	16,242	23,100	87		CBT Corporation, Hartford, Conn.
108	National City Credit Corp., Cleveland	12,167	9,328	109	+ 1	National City Corp., Cleveland
109	American Fletcher Financial Services, Inc., Marion, Ind.	11,612	11,247	107		American Fletcher Corp., Indianapolis
113	Sovran Credit Corp., Elizabeth City, N.C.	7,457	6,414	116	+ 3	Sovran Financial Corp, Richmond
115	NatWest Commercial Services, Inc., New York	7,248	N.A.	...		NatWest Holdings Inc., New York
117	Gibraltar Corp. of America, New York	6,666	6,129	119	+ 2	United Jersey Banks, Princeton, N.J.
118	BVA Credit Corp., Richmond	6,570	11,343	106		Bank of Virginia Co., Richmond
	FOREIGN BANK-RELATED COMPANIES					
18	Heller Financial, Inc., Chicago	699,765	617,540	18x		Fuji Bank, Ltd., Tokyo, Japan
19	Barclays American Corp., Charlotte, N.C.	682,036	638,836	17		Barclays Bank Plc, London, U.K.
73	Deutsche Credit Corp., Bannockburn, Ill.	45,183	41,027	73		Deutsche Bank, Frankfurt, Germany
110	Commercial Funding Inc., New York (b)	10,000	N.A.	...		Nordic Group of Banks (y)

(b) — Year ending on date other than Dec. 31. **(c)** — Current year's figures are for a date different from preceding year. **(h)** — Acquired by Manufacturers Hanover Corp., New York, from RCA Corp., New York, on April 30, 1984. **(n)** — Formerly Walter E. Heller & Co., name was changed on May 3, 1985. Also, the company was acquired by Fuji Bank, Ltd., Tokyo, Japan on Jan. 24, 1984. **(x)** — Based on revised data. Rank that the company would have had, if the revised data had been available. **(y)** — Consists of the following four banks: Copenhagen Handelsbank, Denmark; Kansallis Osake-Pankki, Helsinki, Finland; Norske Creditbank, Oslo, Norway; and Svenska Handelsbanken, Stockholm, Sweden. **N.A.**— Not available.

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Description of Listings and Definitions

By L. MICHAEL CACACE

The American Banker's study of the finance industry is presented in six tables.

• The main listing consists of the 100 largest firms in order of their total capital funds as of Dec. 31, 1984. Total capital funds for 1983 are also shown, along with the 1983 capital funds rank and gain in rank. The other yearend 1984 data shown in this table are capital and surplus; net receivables; total assets; net income; deferred income; gross receivables acquired; and bank credit lines available plus those in use.

• For the second year in a row, *American Banker* lists the top 50 finance companies in order of their net income. This listing gives 1984 and 1983 net incomea and the percentage change in net income from 1983 to 1984.

• Another table lists captive finance companies in the survey in order of their capital funds. **Captive companies** are those whose main activity consists of financing sales of their parent firm's product or services. This year there are 34 such companies in the listing.

• A seperate table lists the 92 independent or affiliated finance companies in the survey in order of their capital funds. **Independent companies** are not owned by other companies. **Affiliated companies** are subsidiaries of other companies but are not captives.

• There is a listing of all domestic commercial and savings bank-related finance companies and of foreign bank-related finance companies with capital funds of $5 million or more. Included in this table is the name of the parent banking company. By definition, bank-related companies are affiliated companies and appear on the listing of independent and affiliated companies.

• Another table breaks down the net receivables outstanding at a finance company at yearend into four "types of business" categories: (1) consumer-retail and real estate; (2) commercial industrial; (3) industrial and equipment leasing; and (4) factoring. The 10 largest companies in each category are given. In the case of leasing companies, there are two lists: the 10 largest nonbank-related companies and the 10 largest bank-related. The latter listing was constructed from data supplied to *American Banker* by Manufacturers Hanover Leasing Corp.

Receivables are reported net of loan losses and unearned income, whenever possible. However, some companies are unable to apportion loan losses and unearned income among the various categories, and these companies report gross receivables.

For factoring companies, receivables are reported gross. In addition, "volume" figures, or receivables acquired during the year, are used. For the companies for which *American Banker* received no factoring data, data gathered by the *Daily News Record* were used., The *Daily News Record* is a textile trade newspaper located in New York City.

Definitions

The definitions used by the *American Banker* for the six listings described above are listed below.

Total capital funds is the sum of stockholders' equity and non-current subordinated debt. Stockholders' equity is the sum of capital plus surplus. Non-current subordinated debt is subordinated debt with a remaining maturity of more than one year.

Receivables include direct loans and paper purchased from manufacturers, wholesalers, and retailers. **Gross receivables** include unearned income and reserves for loan losses, while **net receivables** exclude unearned income and loan-loss reserves.

Net income is income for the entire fiscal year after taxes but before extraordinary items.

Deferred income is another term for **unearned discounts.** It is the sum of prepaid interest on loans outstanding.

Bank credit lines are the sum of bank credit available plus in use. For bank-related finance companies the bank credit line is Often reported to American Banker as zero or not applicable, since these companies are usually funded by their parent. We report zero in this category for all bank-related companies reporting "not applicable".

Consumer-retail and real estate receivables are those obtained through the financing of the consumer through direct cash loans or through the purchase of installment sales paper from dealers and retailers. Included are personal loans secured by second mortgages (real estate loans) and open end (revolving) credit.

Commercial-industrial receivables are those obtained through the financing of small and medium-size businesses, including agribusinesses, through secured short-term loans. In most cases, a firm offers its accounts receivables as security, and the lending arrangement is called "accounts-receivable financing." Inventories or plant equipment also may be used as collateral.

In addition to the short-term accounts receivables financing, businesses also receive funds on longer term installment receivables by selling them to finance companies. These are **industrial-sales finance transactions.**

Industrial/equipment leasing is a type of asset-based lending where the lender owns the physical asset to be financed. Generally, longer term fixed assets are financed by finance companies via leasing.

Factoring is a type of asset-based lending where the lender buys the borrower's receivables and extends funds prior to their collection. The factor usually collects the receivables on a nonrecourse basis.

American Banker

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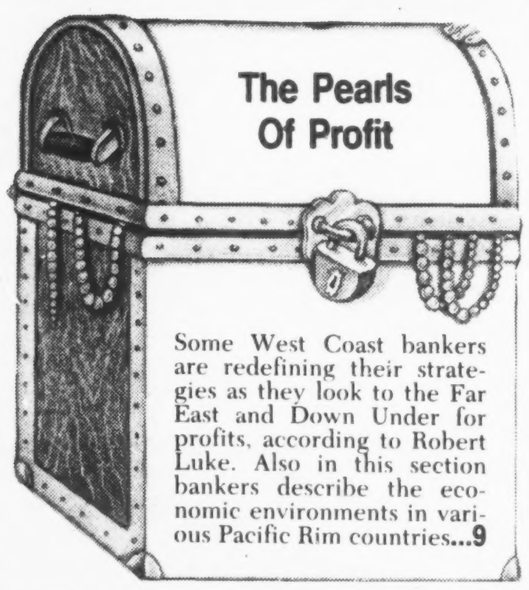

Some West Coast bankers are redefining their strategies as they look to the Far East and Down Under for profits, according to Robert Luke. Also in this section bankers describe the economic environments in various Pacific Rim countries...9

Bank of America Drops Plan to Add South Dakota Unit

Stock Continues to Decline as Effect Of Disappointing Financial News Is Felt

By RICHARD RINGER

CHICAGO — The BankAmerica Corp. last week abandoned its lengthy efforts to open a South Dakota bank that was planned as a way to expand into the insurance business.

The San Francisco-based bank holding company asked the Federal Reserve Board to withdraw from further consideration its application to open a de novo, state-chartered bank planned for Rapid City, S.D. In its letter to the Fed, BankAmerica did not cite a reason for its decision.

Speculation arose, however, that

➳ BankAmerica: Page 31

Three Months of Denial Ends For Depositors of Home State

By BART FRAUST

NEW YORK — The nightmare has ended for 75,000 depositors of the failed Home State Savings Bank who had been denied access to their funds since March 9, the day after the Cincinnati thrift was closed.

At 9 a.m. on Friday, 33 Home State branches reopened as offices of three separate banking companies: Hunter Savings Association, a Cincinnati thrift indirectly owned by Ohio tycoon Carl Lindner; AmeriTrust Corp. of Cleveland; and First National Cincinnati Corp.

Several Ohio banking observers had expected a chaotic, "circus-like" atmosphere, but at many branches the atmosphere was more like a party, with cookies and fruit punch given out to waiting depositors.

Lines were long at some branches, and computers were swamped — but basically all was calm on the Home State front.

"It's about what you'd expect considering that people have been denied their money for 14 weeks," said Mark Stachler, one of the organizers of the Home State Depositors Association, a group formed to represent depositor interests.

"It's been a long time since I've seen my money," said Eldon Ryle, a Cincinnati depositor. "I just wanted to see what it looked like."

Wilma Lee of Brighton, Ohio, said she had to borrow money from neighbors in order to get by in the last two months. "Today, I'm going to pay them back," she said.

Home State, which as of March 31

➳ Home State: Page 23

SEC May Make Rules to Defuse Delaware Buyback Ruling

Court Decision in Takeover Defense Causes Agency to Mull Ban on Discrimination Against any Class of Shareholders

By MIKE CARROLL

NEW YORK — The effects of a recent Delaware court ruling that appeared to dim the outlook for hostile takeovers could be mitigated by Securities and Exchange Commission action, according to government sources.

In May, the Delaware Supreme Court ruled that Unocal Corp. did not have to include T. Boone Pickens in the company's plan to buy back shares from the public. Mr. Pickens had amassed a stake in Unocal, and the company's action was designed to thwart his takeover attempt.

The Delaware decision handed Mr. Pickens his first defeat after a series of well-publicized and highly successful raids on oil companies. The decision, though intended to be narrow, seemed to grant management wide leeway to defend itself and was quickly seen as a gloomy portent for the future of hostile takeover attempts.

Indeed, since the Unocal decision, one leading Wall Street dealmaker says, there has been a "tremendous drying-up of activity." That's because the Unocal decision has made establishing positions in a company's stock much riskier for raiders who, hitherto, had assumed that eventually their stakes would be bought out, usually at a premium.

But the SEC has made no secret of its discomfort with the decision, which may also be viewed as giving managements too much freedom to fight off suitors and entrench themselves, possibly at the expense of shareholders.

Now, sources close to the SEC say that staff members are exploring ways in which the commission could restrict actions that discriminate against one or another class of shareholders of a company.

"We're going to stomp on that," said one SEC source of the Delaware court ruling. "There's an 80% chance that through rule-making we can outlaw discriminatory tender offers — not just

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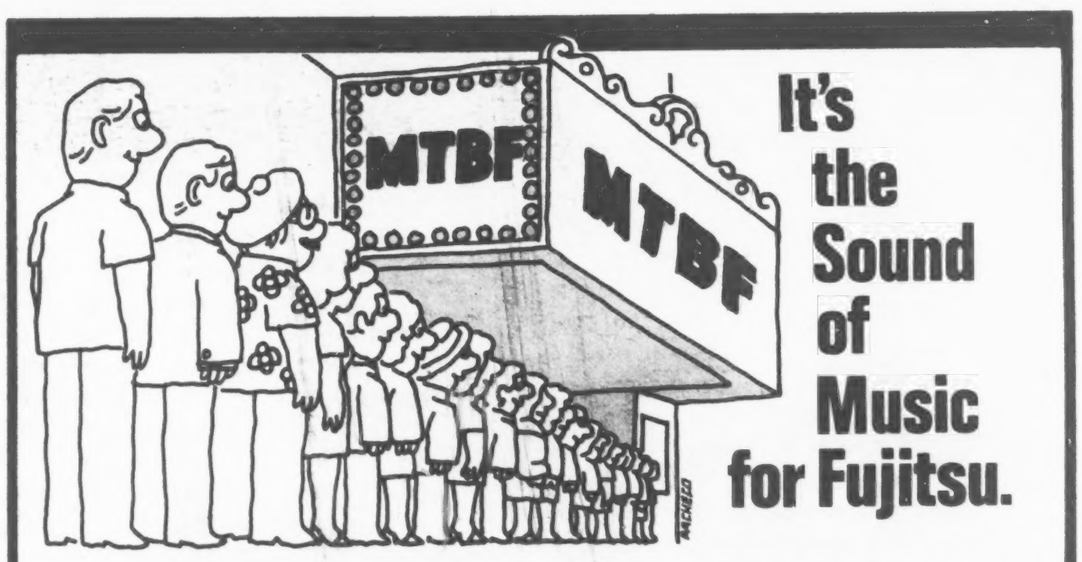

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The Measures Taken: Shoring Thailand's Creditworthiness

A rapid rise in debt has hurt Thailand's creditworthiness.

By Willard D. Sharpe

THAILAND has for many years been considered one of the most creditworthy countries in Asia. But it is one of several Asian countries that in recent years have been accumulating external debt at rather high rates.

In Thailand's case, the debt is still well within manageable limits, and measures have been taken within the last year to curb the increase. Nevertheless, it is worth taking a look at recent trends to see whether the confidence that credit markets still have in Thailand is justified.

The cause for concern stems from a rapid increase in debt, which began at the time of the second oil shock in 1979. At the end of 1978, Thailand's total external debt, including short-term debt, interbank liabilities, and International Monetary Fund (IMF) credits, was only about $4.6 billion, less than 20% of 1978 gross domestic product (GDP).

By the end of 1984, total debt had expanded to about $15.3 billion, or 36% of 1984 GDP. The level is hardly one for alarm. Both South Korea and Malaysia have external debts greater than 50% of GDP, and neither country is regarded as being in danger of default. It is the near doubling of the Thai debt in six years that draws attention.

Thailand's total debt at the end of 1984 consisted of: about $7.5 billion in public or publicly guaranteed long-term debt, $3.4 billion in private long-term debt, $3.6 billion in short-term debt, and about $850 million in IMF credits. The debt service ratio (interest and amortization of long-term debt over exports of goods and services) was slightly less than 20% in 1984.

The increase in debt came about through a series of large deficits in the current account of the balance of payments. In every year but one since 1978, these deficits have been greater than $2 billion, and their total, from 1979 through 1984, was $12.6 billion. The deficits have been a large percentage of gross domestic product, as shown below:

Current Account Deficit

Year	$ Bil.	% GDP
1979	2.09	7.7%
1980	2.07	6.2%
1981	2.57	7.1%
1982	1.00	2.7%
1983	2.87	7.1%
1984	2.13	5.0%

There is room for debate concerning the size of current account deficit that would be sustainable over the long term for a country like Thailand. Seven percent of GDP certainly is not. Four percent probably is, and 3% certainly is. In only one of the last five years, 1982, has the deficit been clearly sustainable. Not by coincidence, 1982 was a depressed year in which economic growth was slow:

Year	% GDP Growth
1979	6.1%
1980	5.8%
1981	6.3%
1982	4.1%
1983	5.8%
1984	6.0%

From 1960 through 1978, Thailand's GDP growth rate averaged more than 7% and had been remarkably stable. The performance since 1978 therefore shows not only a large increase in debt but a marked slowdown in growth. These have not been favorable years for the Thai economy.

The two questions to pose are, first, the reasons for the poor showing and, second, whether an improvement can be expected over the next few years. With respect to the first, there is no doubt that the oil shock of 1979-80 was the main culprit. Oil imports cost Thailand $1.1 billion in 1978, but almost $3 billion in 1981. When we compare that increase with the increase in current account deficit — from $1.2 billion in 1978 to $2.6 billion in 1981 — the impact is clear enough.

A secondary factor has been the sluggish trend of world prices for Thailand's main export commodities. After increases in 1979 and 1980, prices for most of these commodities, including rice, maize, tapioca, sugar, rubber, and tin, began a slump that still continues. Thailand's terms of trade (the relationship between the prices that a producer must pay and those that he receives for his products) fell from 100 in 1980 to 83.3 in 1984. Although the decline has been more than offset by increases in export volume, the burden in terms of resources is a real one.

These external factors do not provide a complete explanation. The response by Thai governments, first under Prime Minister Kriangsak Chamanan and since 1980 under Prime Minister Prem Tinsulanond, has not been sufficient to bring a rapid adjustment.

The central government budget was allowed to slide into a substantial deficit, peaking in 1982 at 5% of gross national product. This was mainly the result of a tax system that depended too heavily on a handful of indirect taxes, with revenue failing to keep up with inflation. Initial efforts under Prime Minister Kriangsak to raise more revenue by lowering subsidies and raising taxes were for the most part unsuccessful and in fact led to the Prime Minister's resignation.

Peg Abandoned with Reluctance

A second policy failure was the adherence to a fixed, dollar-pegged exchange rate through a period of dollar appreciation. The peg at approximately 20.5 bahts to the dollar had been little changed over many years, and was abandoned only reluctantly.

A move to 23 bahts to the dollar in 1981 was only palliative. The baht lost competitiveness more or less steadily from the end of 1978 until late 1984, the total change in "real effective" exchange rate for the period being on the order of 20%.

Over the last several years, the Government of Prime Minister Prem Tinsulanond gradually has brought a degree of consensus and taken a number of measures that promise to bring Thailand back to a more sustainable path.

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Brisk Trade Winds in China

Bank representative offices in China advise clients on banking services and trade and investment practices.

By Bob Fienberg

A MORNING BREEZE plays against the upstairs windows of the former U.S. legation building, whips over the compound's gray stone walls, and sweeps across the expanse of nearby Tiananmen Square.

Another day begins at the Bank of America representative office for the People's Republic of China in Beijing. Erected in 1905 just after the Boxer Rebellion, the stately building houses the office and living quarters of the bank's vice president, Joe Greene.

Downstairs, a state-employed houseboy begins his chores by fetching several large thermos jugs of hot water from the kitchen. This is for the tea that will be served to office visitors throughout the day.

The representative office in Beijing and a second in Shanghai are the focal points for clients to obtain advice on banking services and current trade and investment practices in China. Both representative units report to the PRC office in Hong Kong.

"Our role," says John Chu, a bank vice president who manages the Hong Kong office and coordinates the bank's China-related activities, "is to advise customers on investment opportunities, identify possible risk areas, introduce our customers to PRC entities, facilitate their negotiations, and help them to structure and arrange financing."

The advisory role to which Mr. Chu refers involves four stages. The first is to identify opportunities in China. "This is accomplished by using our officers who have working relationships with key Chinese agencies in their respective market areas," he explains.

If a customer finds an opportunity attractive, the second stage of bringing the PRC entity and the foreign client together begins.

When both sides are satisfied with the potential deal, the customer may visit the site for a personal assessment, which is phase three.

The final phase involves negotiation between the foreign and PRC entities on terms and details leading to a final contract. Mr. Chu and his people make the necessary arrangements along the way and advise the client on financial and other issues critical to concluding the deal.

"Our long-term strategy is to continue playing an active role in promoting and arranging trade and investment between China and the U.S.," says Mr. Chu.

Statistics compiled by the bank's representative offices in China and its PRC office in Hong Kong indicate significant opportunity in these areas. For example, some 120 American companies are resident in Beijing and 30 have a presence in Shanghai.

According to Mr. Chu, this reflects the widely held view of China as a large potential market. The long-term benefits to be realized from the country's modernization and economic development program, he points out, can be gauged by looking at the growing trend of trade between the United States and China.

"In 1971, trade between the two countries amounted to only $5 million," he notes. "The figures for 1984 were more than $6 billion, and this is expected to increase dramatically during the next ten years."

Meanwhile, the bank's economist who tracks the PRC economy, Dr. Kenneth Leung, predicts that Chinese imports from the United States will remain brisk over the next ten years because of China's strong demand for U.S. technology.

He forecasts particularly strong growth in machinery and equipment for power generation, open-pit coal mining, offshore oil exploration and drilling, aircraft, and electronic and scientific equipment. Additionally, imports of cereals should start to rise moderately.

As for Chinese exports to the U.S. market, he sees future increases in shipments of basic machinery, chemicals, and metal products to the United States. The growth rate of such exports, however, will depend upon the degree of China's success in attracting foreign investment and upgrading its manufacturing sector.

Also in line with its economic goals, Mr. Leung says China will require foreign investment and technology to upgrade not only its factories but also its financial system, in order to better mobilize and allocate domestic savings to finance its investment needs.

Mr. Leung adds that "China's foreign exchange needs are enormous. Estimates are that some $20 billion will be needed for development of coal mines and offshore oil fields, and about $10 billion for factory modernization.

The process of economic reforms under way in China represents a very significant and encouraging development in China's history. ■

Bob Fienberg is vice president and director of Asia Communications & Advertising Department for Bank of America NT & SA in Beijing, China.

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Along the road to adjustment, one of the key elements has been energy policy.

Starting in the 1970s from heavy dependence on imported oil with strongly subsidized domestic energy prices, the country has moved to a much sounder position. The good fortune of large deposits of natural gas in the Gulf of Siam, some oil onshore, and substantial lignite deposits have provided the means. The government has strongly pushed the exploitation of these resources.

Meanwhile, subsidies on domestic energy prices have been reduced gradually, though not yet entirely eliminated. These measures have reduced Thailand's dependence on imported energy. Oil imports cost only $2.4 billion in 1984, despite the growth of the economy, and should cost less this year.

Breaking the baht's link to the U.S. dollar in November 1984, devaluation by 14.8%, and movement to a more flexible exchange rate policy returned Thailand's competitiveness almost to its 1978 level. The balance of payments for 1985 should reflect this change.

Devaluation also made it possible to loosen up restraints on credit. As capital returned from abroad, liquidity in the banking system has increased, and interest rates have fallen. Although the impact of higher import prices has depressed a number of industries, those most affected are in general the import substitution industries, some of them highly protected and inefficient.

"There is room for debate concerning the size of current account deficit that would be sustainable over the long term for a country like Thailand."

But devaluation was immensely difficult in political terms. For a time it seemed possible that Prime Minister Prem and Sommai Hoontrakul, his finance minister, would not survive; they have.

There remains the issue of the budget deficit, which has still not been effectively handled. It rose from 22.9 billion baht ($996 million) in 1983 to 32.0 billion baht ($1.39 billion) in 1984, around 3.3% of 1984 gross national product (GNP).

But with inflation nearly nil since early 1984, and with serious underemployment in various sectors, the urgency of a balanced budget is certainly less evident. In any case, the budget for this fiscal year represents almost no real increase over last year, and a number of tax reforms are in progress.

Enough basic changes have been made in the Thai economy to offer reasonable assurance. Growth over the next two or three years should remain around the 5% to 6% level, the balance of payments deficit on current accounts should decline to around 3% of GDP, and external debt should be held to a level that can be easily serviced.■

Willard D. Sharpe is a Chase Manhattan Bank vice president and area economist for Asia. He is based in Hong Kong.

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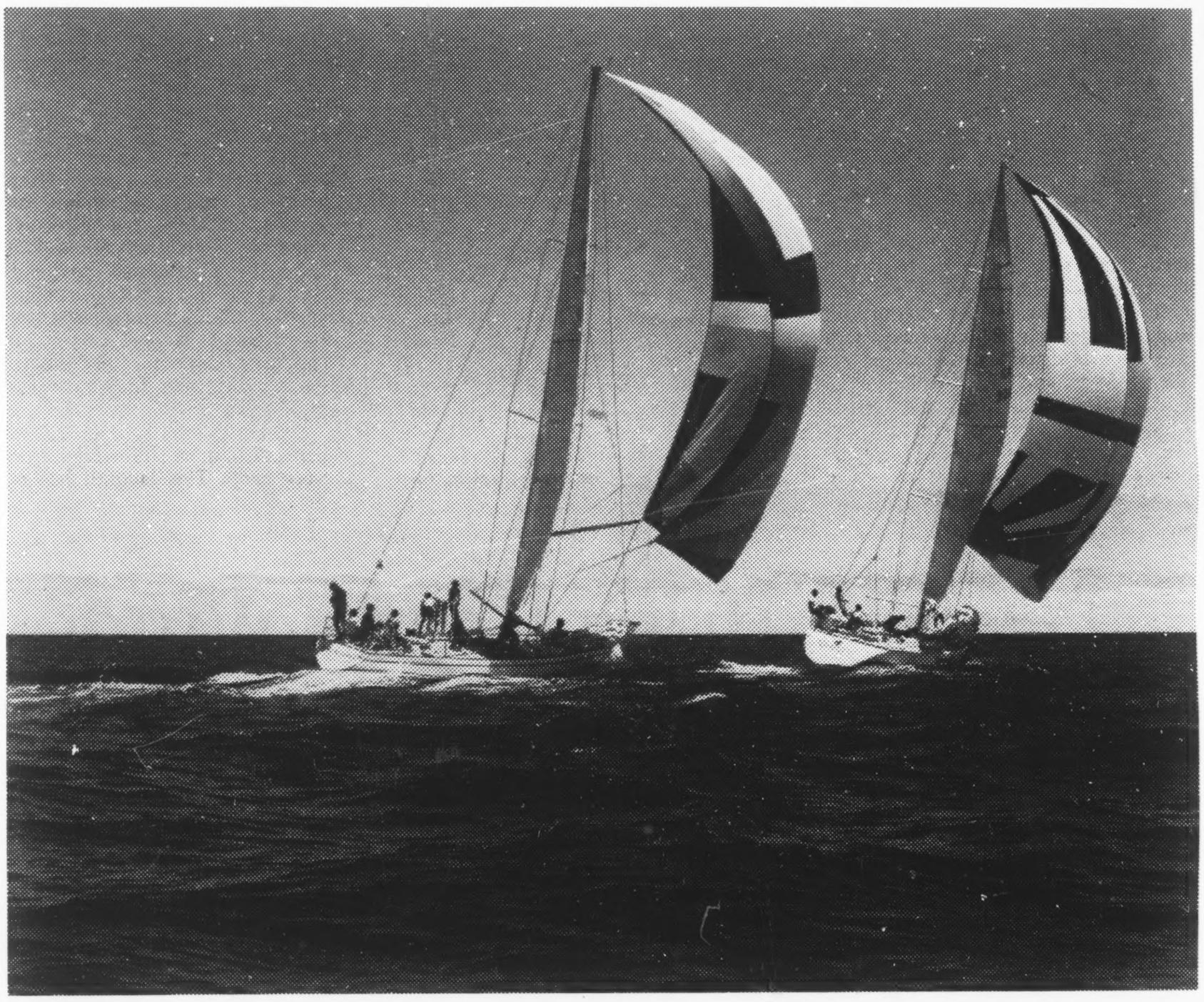

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